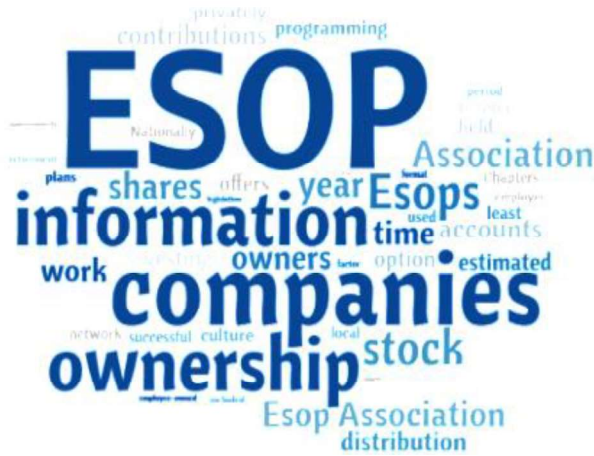


Karur Vysya Bank Employees Stock Option Scheme 2018
(As amended vide NRC resolution dated [17.02.2022])

KARUR VYSYA BANK LIMITED



Index

1. Name, Objectives and Term of the Scheme	3
2. Definitions and Interpretations	3
3. Authority and Ceiling	8
4. Administration	9
5. Eligibility and Applicability	10
6. Grant and Acceptance of Grant	11
7. Vesting Schedule/ Conditions.....	11
8. Exercise.....	12
9. Lock-in.....	16
10. Exit route in case of de-listing.....	16
11. Restriction on transfer of Employee Stock Option	17
12. Rights as a shareholder.....	17
13. Deduction of Tax.....	17
14. Malus/ Clawback.....	17
15. Authority to vary terms.....	18
16. Miscellaneous.....	18
17. Accounting and Disclosures	19
18. Certificate from Secretarial Auditors.....	19
19. Governing Laws	19
20. Notices.....	20
21. Jurisdiction.....	20
22. Severability	21
23. Confidentiality	21

(As amended vide NRC resolution dated [17.02.2022])¹

1. Name, Objectives and Term of the Scheme

- 1.1 This employee stock option scheme shall be called the 'Karur Vysya Bank Employees Stock Option Scheme 2018' ("KVB-ESOS-2018"/ "Scheme").
- 1.2 The KVB-ESOS-2018 intends to enable the Employees, present and future, to get a share in the value that they help to create for the organization over a certain period of time. The Bank strongly believes that an equity component in the compensation goes a long way in aligning the objectives of an individual with those of the Bank. The objectives of KVB-ESOS-2018 are, among others, to attract and retain critical senior talents with Employee Stock Options as a compensation tool. Through KVB-ESOS-2018, the Bank intends to offer an opportunity of sharing the value created with those Employees who have contributed or are expected contribute to the growth and development of the Bank.
- 1.3 KVB-ESOS-2018 as originally envisaged has come into force on April 24, 2018 on which the shareholders of the Bank have approved the KVB-ESOS-2018. In the meantime, the Bank intends to amend the KVB-ESOS-2018 with a view to align it with the requirement of the SEBI SBEB & SE Regulations. Thus, the KVB-ESOS-2018 has been amended vide Nomination and Remuneration Committee resolution dated [17.02.2022].
- 1.4 The Nomination and Remuneration Committee as authorized may subject to compliance with requirements of the Applicable Laws, at any time alter, amend, suspend or terminate the KVB-ESOS-2018.

2. Definitions and Interpretations

In the KVB-ESOS-2018, unless the context clearly indicates a contrary intention, the following words or expressions shall have the meaning assigned herein:

2.1 Definitions

- i. **"Applicable Law"** means every law relating to Employee Stock Options, including and without limitation to the Companies Act and the rules framed thereunder, the Securities and Exchange Board of India Act 1992, the SEBI SBEB & SE Regulations, rules and regulations issued by the Reserve Bank of India including the Banking Regulations Act, 1949 and includes any statutory modifications or re-enactments thereof and all relevant tax, securities, exchange control or corporate laws of India or of any relevant jurisdiction or of any Stock Exchange on which the Shares are listed or quoted.

¹ The Nomination and Remuneration Committee has approved the alignment of the KVB-ESOS-2018 with the SEBI SBEB & SE Regulations vide its resolution dated [17.02.2022].

- ii. **"Bank"** means Karur Vysya Bank Limited, a company registered with the Reserve Bank of India as a scheduled commercial Bank with CIN L65110TN1916PLC001295 having its registered office at Erode Road, Central Office, Karur, Tamil Nadu- 639 002, India.
- iii. **"Bank Policies/Terms of Employment"** means the Bank's policies for Employees and the terms of employment as contained in the employment letter and the Bank handbook, which includes provisions requiring a desired level of performance, securing confidentiality, non-compete and non-poaching of other employees and customers.
- iv. **"Board"** means the Board of Directors of the Bank.
- v. **"Companies Act"** means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or re-enactments thereof.
- vi. **"Death"** shall have the same meaning as assigned to it under the 'Human Resource Policy' of the Bank.
- vii. **"Director"** means a member of the Board of the Bank.
- viii. **"Eligibility Criteria"** means the criteria as may be determined from time to time by the Nomination and Remuneration Committee of the Board for granting the Employee Stock Options to the Employees.
- ix. **"Employee"** means (i) a permanent employee of the Bank working in or out of India, being a Scale IV and above cadre employee as per policy of the Bank, or (ii) a whole-time or executive Director of the Bank, but excludes:
 - a) an employee, who is a Promoter or belongs to the Promoter Group;
 - b) an Independent Director; and
 - c) any such Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank.
- x. **"Employee Stock Option"** means an option granted to an Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date Shares underlying such option at a pre-determined price.
- xi. **"Exercise"** of an Option means expression of an intention by an Employee to the Bank to subscribe/ purchase the Shares underlying the Employee Stock Option vested in him, in pursuance of the KVB-ESOS-2018, in accordance with the procedure laid down by the Bank for Exercise of such Employee Stock Option.
- xii. **"Exercise Period"** means such time period after Vesting within which the Employee

should exercise the Employee Stock Option vested in him in pursuance of the KVB-ESOS-2018.

- xii. **“Exercise Price”** means the price approved by Nomination and Remuneration Committee being payable by an Employee in order to exercise the Employee Stock Option granted to him in pursuance of the KVB-ESOS-2018.
- xiii. **“Grant”** means issue of Employee Stock Option to the Employees under the KVB-ESOS-2018.
- xiv. **“Independent Director”** means a Director within the meaning of Section 149(6) of the Companies Act read with Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xv. **“KVB-ESOS-2018”** means the Karur Vysya Bank Employees Stock Option Scheme 2018 under which the Bank is authorized to grant Employee Stock Options to the Employees.
- xvi. **“Market Price”** means the latest available closing price of Shares on the recognized Stock Exchange on which the Shares of the Bank are listed on the date immediately prior to the meeting of Nomination and Remuneration Committee in which Grant is made.

Explanation- If Shares are listed on more than one Stock Exchange, then the closing price of the Shares on the Stock Exchange having higher trading volume shall be considered as the Market Price.

- xvii. **“Misconduct”** means any of the following acts or omissions by an Option Grantee in addition to any relevant provisions prescribed in the Bank Policies/Terms of Employment amounting to violation or breach of terms of employment as determined by the Board:
 - a) committing of any act warranting summary termination under law; or
 - b) conduct amounts to a serious breach by an Option Grantee of the obligation of trust and confidence to his employer; or
 - c) a finding by the Board that an Option Grantee has committed any material or consistent breach of any of the terms or conditions of employee service agreement/ terms of employment including any willful neglect of or refusal to carry out any of his duties or to comply with any instruction given to him by the Bank; or
 - d) being convicted of any criminal offence; or
 - e) being disqualified from holding office in the Bank or any other company under any legislation or being disqualified or disbarred from membership of, or being subject to any serious disciplinary action by, any regulatory body within the industry,

- which undermines the confidence of the Board in the individual's continued employment; or
- f) having acted or attempted to act in any way which in the opinion of the Board has brought or could bring the Bank or any other group member into disrepute or discredit;
 - g) breach or violation of any Bank Policies/Terms of Employment;
 - h) any other not included above but defined as misconduct in the Bank's rules or employee handbook and / or employment agreement and/or appointment letter.
- xviii. **"Nomination and Remuneration Committee"** means the committee constituted or reconstituted by the Board from time to time, to administer and supervise the KVB-ESOS-2018 and other employee benefit schemes, comprising of such members of the Board as provided under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time to act compensation committee under Regulation 5 of the SEBI SBEB & SE Regulations.
- xix. **"Option"** means an Employee Stock Option within the meaning of the KVB-ESOS-2018.
- xx. **"Option Grantee"** means an Employee who has been granted an Employee Stock Option in pursuance of the KVB-ESOS-2018.
- xxi. **"Permanent Incapacity"** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Option Grantee was capable of performing immediately before such disablement, as determined by the Nomination and Remuneration Committee based on a certificate of a medical expert identified by the Bank.
- xxii. **"Promoter"** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended.
- xxiii. **"Promoter Group"** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended.
- xxiv. **"Retirement"** means retirement as per the rules of the Bank.
- xxv. **"Scheme"** means and refers to KVB-ESOS-2018 as defined hereof.
- xxvi. **"SEBI SBEB & SE Regulations"** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended and reenacted from time to time and includes any clarifications or circulars issued thereunder.

- xxvii. **“Secretarial Auditor”** means a company secretary in practice appointed by the Bank under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xxviii. **“Shares”** means equity shares of the Bank having face value of Rs. 2 (Two) each and arising out of the exercise of Employee Stock Options granted under the KVB-ESOS-2018.
- xxix. **“Stock Exchange”** means the National Stock Exchange of India Ltd., or any other recognized Stock Exchange in India on which the Bank’s Shares are listed or to be listed in future.
- xxx. **“Unvested Option”** means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.
- xxxi. **“Vested Option”** means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option subject to fulfillment of terms of Exercise.
- xxxii. **“Vesting”** means earning by the Option Grantee, of the right to exercise the Option granted to him in pursuance of the KVB-ESOS-2018.
- xxxiii. **“Vesting Condition”** means the condition prescribed if any subject to satisfaction of which the Option granted would vest in an Option Grantee.
- xxxiv. **“Vesting Period”** means the period during which the Vesting of the Option granted to the Employee, in pursuance of the KVB-ESOS-2018 takes place.

2.2 Interpretation

In the KVB-ESOS-2018, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender; and
- e) a reference to a schedule includes a reference to any part of that Schedule which is incorporated by reference.

Words and expressions used and not defined here but defined in the SEBI SBEB & SE Regulations, Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts

(Regulation) Act, 1956 (42 of 1956) or the Companies Act, and any statutory modification or re-enactment thereto, shall have the meanings respectively assigned to them in those legislation, as the context requires.

3. Authority and Ceiling

- 3.1 The shareholders of the Bank by way of special resolution dated April 24, 2018 have authorized the Board/ the Nomination and Remuneration Committee to grant not exceeding 72,00,000² Employee Stock Options to the eligible Employees, in one or more tranches, from time to time under this Scheme, being exercisable into not exceeding 72,00,000 equity shares of a face value of Rs. 2/- each fully paid-up, with each such Option conferring a right upon the Employee to be issued one Share of the Bank, in accordance with the terms and conditions of such Grant.
- 3.2 The maximum number of Employee Stock Options that may be granted per Employee and in aggregate shall vary depending upon the designation and the appraisal / assessment process, however, shall not exceed 18,00,000 Options per eligible Employee. Subject to this ceiling, the Nomination and Remuneration Committee reserves the right to decide the number of Employee Stock Options to be granted in one or more tranches to each Employee.
- 3.3 Prior approval of shareholders by way of special resolution in the general meeting shall be obtained in case the Grant of Employee Stock Option to any identified Employee is equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant of Option.
- 3.4 If an Employee Stock Option expires or becomes un-exercisable due to any other reason, it shall become available for future Grants, subject to compliance with the provisions of the Applicable Laws.
- 3.5 Where Shares are allotted consequent upon exercise of an Employee Stock Option under the KVB-ESOS-2018, the maximum number of Shares that can be allotted under KVB-ESOS-2018 as referred to in Sub-clause 3.1 above shall stand reduced to the extent of such Shares allotted.
- 3.6 In case of a Share split or consolidation, if the revised face value of the Share is less or more than the current face value as prevailing on the date of coming into force of the KVB-ESOS-2018, the maximum number of Options available for being granted under KVB-ESOS-2018 as specified above shall stand modified accordingly, so as to ensure that the cumulative face value (No. of Shares X Face value per Share) prior to such Share split or consolidation remains unchanged after such Share split or consolidation. Thus, for example, if the prevailing face value of each Share is Rs. 2 per Share and the revised face value after the Share split is Re. 1 per Share, the total number of Shares available under KVB-ESOS-2018 would be (Shares reserved at Sub-Clause 3.1 x 2)

² Adjusted to 79,20,000 options vide corporate action pursuant to Bonus issue made in 2018.

Shares of Re. 1 each.

4. Administration

- 4.1 The KVB-ESOS-2018 shall be administered by the Nomination and Remuneration Committee. All questions of interpretation of any issues arising out of KVB-ESOS-2018 or in respect of any Employee Stock Options granted thereunder, shall be determined by the Nomination and Remuneration Committee and such determination shall be final and binding upon all persons having an interest in the KVB-ESOS-2018.
- 4.2 The Nomination and Remuneration Committee shall in accordance with the KVB-ESOS-2018 and Applicable Laws determine the following:
- a) The quantum of Options to be granted under the KVB-ESOS-2018 per Employee, subject to the ceiling as specified in Para 3.1;
 - b) the Eligibility Criteria for grant of Options to the Employees;
 - c) the Exercise Period within which the Employee should exercise the Options and that such Options would lapse on failure to exercise it within the Exercise Period;
 - d) the specified time period within which the Employee shall exercise the Vested Option in the event of termination or resignation of an Employee;
 - e) the right of an Employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period;
 - f) the procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Nomination and Remuneration Committee:
 - i. the number and the price of Options shall be adjusted in a manner such that total value of the Options remains the same after the corporate action.
 - ii. the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.
 - g) the procedure and terms for the Grant, Vesting and Exercise of Option in case of Employees who are on long leave;
 - h) the conditions under which Options vested in Employees may lapse in case of termination of employment for misconduct;
 - i) the procedure for cashless Exercise of Options, if required;
 - j) withdraw, recall, cancel or accept surrender of Options already granted/to be granted, to re-grant such withdrawn, recalled, cancelled or surrendered Options, to issue fresh Options, in one or more tranches, in lieu thereof at such Exercise Price and in such

manner during such Exercise Period and on such terms and conditions as the Nomination and Remuneration Committee deems fit in the best interests of the Bank and its Employees;

k) may re-price the options which are not exercised, whether or not they have been vested if the scheme is rendered unattractive due to fall in the price of the shares in the market, provided that such re-pricing is not detrimental to the interest of the grantees and subject to necessary approvals prescribed by regulations governing the Scheme; and

l) approve forms, writings and/or agreements for use in pursuance of the KVB-ESOS-2018.

4.3 The Nomination and Remuneration Committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the Bank and the Employees, as applicable.

5. Eligibility and Applicability

5.1 Eligible Employees within the meaning of the KVB-ESOS-2018 are Scale IV and above cadre Employees, who are eligible for being granted Employee Stock Options.

5.2 The Nomination and Remuneration Committee shall invite recommendations of the management of the Bank, for identification of the Employees who could be granted Options based on the various criteria such as performance and/or the merit of the Employees as indicated by the periodical performance appraisal or the minimum period of service put in by the Employee/ remaining future service or his/ her cadre and designation in the Bank or his/her present and potential contribution to the success of the Bank or the key functional areas in which the Employee is involved or such other criteria or factors as may be deemed relevant and appropriate as may be decided by the Nomination and Remuneration Committee.

5.3 The specific Employees to whom Employee Stock Options would be granted and their Eligibility Criteria would be determined by the Nomination and Remuneration Committee. The Grants to be made to the whole-time/ executive Directors shall be determined by the Nomination and Remuneration Committee and, where appropriate, would be sent to the Reserve Bank of India for its approval.

5.4 The Employee Stock Options granted to an Employee shall be subject to the terms and conditions set forth in the KVB-ESOS-2018 and additional requirements set forth, if any, in the letter of Grant.

5.5 The KVB-ESOS-2018 shall be applicable to the Bank, and any successor bank thereof.

6. Grant and Acceptance of Grant

6.1 Grant of Employee Stock Options

- a) Grants contemplated under the KVB-ESOS-2018 shall be made on such day and month as decided by the Nomination and Remuneration Committee at its discretion.
- b) Each Grant of Employee Stock Option under the KVB-ESOS-2018 shall be made in writing by the Bank to the eligible Employees in such form as may be approved under KVB-ESOS-2018 from time to time.

6.2 Acceptance of the Grant

- a) Any Employee who wishes to accept the grant made under this Scheme must deliver to the Bank a duly signed acceptance of the letter of Grant on or before the date (“Closing Date”) to be decided by the Nomination and Remuneration Committee, as specified in the letter of Grant.
- b) Any Employee who fails to deliver the signed acceptance of the letter of Grant on or before the Closing Date stated above shall be deemed to have rejected the Grant unless the Nomination and Remuneration Committee determines otherwise.
- c) Upon acceptance of the Grant in the manner described above, the Employee henceforth as an Option Grantee shall be bound by the terms, conditions and restrictions of the Scheme and the letter of Grant. The Option Grantee's acceptance of the Grant of Employee Stock Options under the Scheme, within the time period provided, shall constitute an agreement between the Option Grantee and the Bank, as to the terms of this Scheme and the Grant document.

7. Vesting Schedule/ Conditions

- 7.1** Employee Stock Options granted under KVB-ESOS-2018 would vest not before **1 (One) year** and not later than **3 (Three) years** from the date of Grant of such Employee Stock Option. The Nomination and Remuneration Committee may at its discretion change the vesting schedule provided that such change is not detrimental in the interest of the Employees. The Options could vest in tranches.

Provided that in case where Employee Stock Options are granted by the Bank under the Scheme in lieu of Employee Stock Option held by a person under a similar plan in another company (“Transferor Company”) which has merged, demerged, arranged or amalgamated with the Bank, the period during which the Employee Stock Options granted by the Transferor Company were held by him shall be adjusted against the minimum Vesting Period required under this Sub-clause.

Provided further that in the event of Death or Permanent Incapacity of an Option Grantee, the minimum Vesting Period shall not be applicable and in such instances, all the Unvested

Options shall vest with effect from date of the Death or Permanent Incapacity.

7.2 As a prerequisite for a valid vesting, an Option Grantee is required to be in employment or service of the Bank on the date of Vesting and must neither be serving his notice for termination of employment/ service, nor be subject to any disciplinary proceedings pending against him on the such date of Vesting.

7.3 The Options shall vest essentially on the condition of retention as per provisions of the SEBI SBEB & SE Regulations. In addition to this pre-requisite, the Vesting may also be subject to achievement of performance criteria namely periodical performance appraisal or potential contribution towards strategic growth, contribution to team building and succession, cross-functional relationship, corporate governance or such other criteria as may be stipulated at its discretion by the Nomination and Remuneration Committee from time to time with regard to various class/ classes of Employees.

The Vesting dates in respect of the Options granted under this Scheme may at the sole and absolute discretion of the Compensation Committee vary from Employee to Employee or any class thereof and/or in respect of the number or percent of Options granted.

7.4 The specific Vesting schedule and Vesting Conditions subject to which Vesting would take place would be outlined in the document(s) given to the Option Grantee at the time of Grant of Employee Stock Options.

7.5 Vesting of Options in case of Employees on long leave

The period of leave shall not be considered in determining the Vesting Period in the event the Employee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Nomination and Remuneration Committee.

8. Exercise

8.1 Exercise Price

a) The Exercise Price per Option shall be such price as may be determined by the Nomination and Remuneration Committee subject to a maximum of 10% (Ten Percentage) discount from the Market Price of a Share of the Bank as on date of Grant of such Option.

b) Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Bank, or in such other manner and subject to such procedures as the Nomination and Remuneration Committee may decide from time to time.

8.2 Exercise Period

(a) **While in employment/ service:**

The Exercise Period in respect of a Vested Option shall be maximum of **4 (Four) years** from the date of Vesting of such Option.

(b) **Exercise Period in case of separation from employment/ service:**

Vested Options can be exercised subject to treatment of Unvested Options as per provisions outlined herein below:

S. No.	Separations	Vested Options	Unvested Options
1	Resignation / Termination (other than due to misconduct or breach of Bank Policies/Terms of Employment)	All the Vested Options as on date of submission of resignation/ date of termination can be exercised by the Option Grantee before his last working day or before the expiry of the Exercise Period, whichever is earlier.	All the Unvested Options on the date of submission of resignation / date of termination shall stand cancelled with effect from that date.
2	Termination due to misconduct or due to breach of Bank Policies/Terms of Employment	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination.	All the Unvested Options on the date of such termination shall stand cancelled with effect from the termination date.
3	Retirement (Including retirement approved under a Voluntary Retirement Scheme)	All the Vested Options can be exercised by the Option Grantee before the expiry of 60 days from his last working day or before the expiry of the Exercise Period, whichever is earlier.	All the Unvested Options as on date of such Retirement shall continue to vest as per original Vesting schedule, even after date of Retirement unless otherwise determined by the Nomination and Remuneration Committee as per the relevant policy, if any, and exercise period shall be as determined by

			the Nomination and Remuneration Committee .
4	Death	All the Vested Options may be exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than six months from the date of death of the Option Grantee.	All the Unvested Options as on the date of death shall vest immediately and may be exercised by the Option Grantee's nominee or legal heir in the manner prescribed for the Vested Options.

5	Termination due to Permanent Incapacity	All the Vested Options may be exercised by the Option Grantee immediately after, but in no event later than six months from the date of termination of the Option Grantee.	All the Unvested Options as on the date of incurring Permanent Incapacity shall vest immediately and can be exercised in the manner prescribed for the Vested Options.
6	Abandonment	All the Vested Options shall stand cancelled with effect from the date of abandonment as determined by the Nomination and Remuneration Committee.	All the Unvested Options shall stand cancelled with effect from the date of abandonment as determined by the Nomination and Remuneration Committee.
7	Suspension of employment/ service pending enquiry/ decision	All the Vested Options as on date of such suspension shall be kept in abeyance and shall not be capable of being exercised until re-instatement. Upon re-instatement, the period of abeyance shall be added to unexpired Exercise Period as on date of suspension. In case, the employment/ service is terminated after the enquiry, all the Vested Options shall be deemed to lapse on the date of such termination.	All the Unvested Options as on date of such suspension shall be kept in abeyance and shall not be capable of being vested as per prescribed Vesting schedule, until re-instatement. Upon re-instatement, it shall be deemed as if the Vesting of such Options have never ceased during the period of abeyance. In case, the employment/ service is terminated after the enquiry, all the Unvested Options shall be deemed to lapse on the date of such termination.
8	Termination due	The Nomination and	All Unvested Options on the

to any other reason apart from those mentioned above	Remuneration Committee shall decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	date of such termination shall stand cancelled with effect from that date.
---	---	---

8.3 A Vested Option shall be deemed to have been exercised when an Option Grantee makes an application in writing to the Bank or by any other means as decided by the Nomination and Remuneration Committee, for the issuance of Share against such Option vested in him, subject to payment of Exercise Price and compliance of other requisite conditions of Exercise.

8.4 All Vested Options can be exercised by an Option Grantee either in lump sum or in one or more tranches, however, within the Exercise Period applicable for such Vested Options.

8.5 Disclosure to Stock Exchanges as an when an Option is exercised

As and when an Option is exercised, the Bank shall make a disclosure to the concerned Stock Exchanges as per Regulation 10(c) of the SEBI SBEB & SE Regulations.

8.6 Lapse of Options

Any Vested Option(s) not exercised within the prescribed Exercise Period shall lapse and the Employee shall have no right over such lapsed or cancelled Option.

9. Lock-in

9.1 The Shares issued upon Exercise of Employee Stock Option shall be freely transferable or be subjected to lock-in period if any after such Exercise at the discretion of Nomination and Remuneration Committee .

Provided however that the Shares allotted on such Exercise cannot be sold for such period from the date of allotment in terms of Code of Conduct for Prevention of Insider Trading of the Bank, if any, read with Securities Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended or such other period as may be stipulated from time to time in terms of such Code.

10. Exit route in case of de-listing

If the Bank gets de-listed from all the recognized Stock Exchanges, then the Nomination and Remuneration Committee shall have the power to set out terms and conditions for the treatment of Vested Options and Unvested Options in due compliance of the then prevailing Applicable Laws.

11. Restriction on transfer of Employee Stock Option

- 11.1 The Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- 11.2 Employee Stock Option shall not be transferable to any person except in the event of death of the Option Grantee, in which case provisions at Sub-clause 8.2(b) would apply.
- 11.3 No person other than the Employee to whom the Option is granted shall be entitled to exercise the Option except in the event of the death of the Option Grantee, in which case provisions at Sub-clause 8.2(b) would apply.

12. Rights as a shareholder

- 12.1 The Employee shall not have a right to receive any dividend or to vote or in any manner or enjoy the benefits of a shareholder in respect of Employee Stock Option granted, till Shares underlying such Employee Stock Option are issued upon exercise thereof.
- 12.2 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the Option Grantee exercises the Option and becomes a registered holder of the Shares of the Bank.
- 12.3 If the Bank issues bonus shares or rights shares, the Option Grantee shall not be eligible for the bonus or rights shares in the capacity of an Option Grantee. However, an adjustment to the number of Employee Stock Option or the Exercise Price or both would be made in accordance with Sub-clause 4.2 (f) of KVB-ESOS-2018.

13. Deduction of Tax

- 13.1 The liability of paying taxes, if any, in respect of Employee Stock Options granted pursuant to the KVB-ESOS-2018 and the Shares issued pursuant to exercise thereof shall be entirely on Option Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 read with rules issued thereunder and/or Income Tax Laws of respective countries as applicable to eligible Employees working abroad, if any.
- 13.2 The Bank shall have the right to deduct from the Option Grantee's salary or recover any tax that is required to be deducted or recovered under the Applicable Laws. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.
- 13.3 The Bank shall have no obligation to deliver Shares until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee in full.

14. Malus/ Clawback

- 14.1 Subject to compliance of the Applicable Laws, the Bank reserves the right of executing

malus/ clawback arrangements in circumstances as specified at the time of Grant of Employee Stock Option.

14.2 A malus arrangement permits the Bank to prevent Vesting of all or part of the Employee Stock Option granted to an Option Grantee in the event of failure to comply with the conditions for Vesting. However, the malus arrangement shall not reverse the Vestings of already Vested Options.

14.3 A clawback, on the other hand, is a contractual agreement between the Option Grantee and the Bank, being evidenced on the acceptance of the Grant, in which case the Option Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Option Grantee to the Bank under circumstances specified at the time of Grant of Employee Stock Option.

15. Authority to vary terms

15.1 For the purpose of efficient implementation and administration of the KVB-ESOS-2018, the Nomination and Remuneration Committee may, if it deems necessary, vary the terms of KVB-ESOS-2018, including pursuant to meeting any regulatory requirements, subject to the Applicable Laws and the conditions of the shareholders' approval, by way of a special resolution, in such manner which is not detrimental to the interest of employee.

Provided that the Bank shall be entitled to vary the terms of the KVB-ESOS-2018 to meet any regulatory requirement without seeking shareholders' approval by way of a special resolution.

16. Miscellaneous

16.1 Government Regulations

This KVB-ESOS-2018 shall be subject to all Applicable Laws, and approvals from governmental authorities. The Grant and the allotment of Shares under this KVB-ESOS-2018 shall also be subject to the Bank requiring Employees to comply with all Applicable Laws.

16.2 Inability to obtain authority

The inability of the Bank to obtain authority from any regulatory body having jurisdiction over the Bank, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Bank of any and all liability in respect of the failure to issue or sell such Shares.

16.3 Unless otherwise intended, the Grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of Shares or any expectation that an Employee

Stock Option might be granted to him whether subject to any condition or at all.

- 16.4 Neither the existence of the KVB-ESOS-2018 nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in the KVB-ESOS-2018 by being granted an Employee Stock Option on any other occasion.
- 16.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).
- 16.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.
- 16.7 Participation in KVB-ESOS-2018 shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investments are that of the Employee alone.

17. Accounting and Disclosures

- 17.1 The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Employee Stock Options, including but not limited to the Accounting Guidelines.
- 17.2 Where any existing Accounting Guidelines do not prescribe accounting treatment and/or disclosure requirements for KVB-ESOS-2018, then the Bank shall comply with the relevant accounting standard as may be prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013 or other Applicable Laws, from time to time.
- 17.3 The Bank shall make disclosures to the prospective Option Grantees containing statement of risks, information about the Bank and salient features of the KVB-ESOS-2018 in a format as prescribed under SEBI SBEB & SE Regulations.

18. Certificate from Secretarial Auditors

- 18.1 The Nomination and Remuneration Committee shall at each annual general meeting place before the shareholders a certificate from the Secretarial Auditors of the Bank that the KVB-ESOS-2018 has been implemented in accordance with the SEBI SBEB & SE Regulations and in accordance with the resolution of the Bank in the general meeting.

19. Governing Laws

- 19.1 The terms and conditions of the KVB-ESOS-2018 shall be governed by and construed in

accordance with the Applicable Laws including the Foreign Exchange Laws mentioned below. In the event of any variation between the provisions of the scheme and the SEBI Regulations, the provisions of the SEBI Regulations shall prevail over the Scheme and the provisions of the Scheme shall be deemed to have been amended so as to be read in consonance with the SEBI Regulations from time to time.

19.2 Foreign Exchange Laws

In case any Employee Stock Options are granted to any Employee being resident outside India working outside India, the provisions of the Foreign Exchange Management Act, 1999 and rules or regulations made thereunder as amended and enacted from time to time shall be applicable and the Bank has to comply with such requirements as prescribed from time to time in connection with Grant, Vest, Exercise of Employee Stock Options and allotment of Shares thereof.

20. Notices

20.1 All notices of communication required to be given by the Bank to an Option Grantee by virtue of this KVB-ESOS-2018 shall be in writing. The communications shall be made by the Bank in any one or more of the following ways:

- (i) Sending communication(s) to the address of the Option Grantee available in the records of the Bank; or
- (ii) Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or
- (iii) Emailing the communication(s) to the Option Grantee at the official email address provided, if any, during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.

20.2 Any communication to be given by an Option Grantee to the Bank in respect of KVB-ESOS-2018 shall be sent at the address mentioned below or e - mailed at:

Head- Human Resource, Karur Vysya Bank Limited,
Registered Office: Erode Road, Central Office, Karur, Tamil Nadu - 639 002

21. Jurisdiction

21.1 The Courts in Karur, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this KVB-ESOS-2018.

21.2 Nothing in this Clause shall however limit the right of the Bank to bring proceedings against any Employee in connection with this KVB-ESOS-2018:

- (i) in any other court of competent jurisdiction; or

(ii) concurrently in more than one jurisdiction.

22. Severability

22.1 In the event any one or more of the provisions contained in the KVB-ESOS-2018 shall for any reason be held to be invalid, illegal, or unenforceable under Applicable Laws; in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of the KVB-ESOS-2018 in which case the KVB-ESOS-2018 shall be construed as if such invalid, illegal, or unenforceable provisions had never been set forth herein, and the KVB-ESOS-2018 shall be carried out as nearly as possible according to its original intent and terms.

23. Confidentiality

23.1 An Option Grantee must keep the details of the KVB-ESOS-2018 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Bank or that of its affiliates. In case Option Grantee is found in breach of this Clause, the Bank shall have undisputed right to terminate any agreement/Grant and all unexercised Employee Stock Option shall stand cancelled immediately. The decision and judgment of the Nomination and Remuneration Committee regarding breach of this Clause on confidentiality shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this Clause, the Nomination and Remuneration Committee shall have the authority to deal with such cases as it may deem fit.

23.2 On acceptance of the Grant of Option offered by the Bank, it shall be deemed that as if the Option Grantee has authorized the Bank to disclose information relating to the Option Grantee during the process of implementation of the KVB-ESOS-2018 or while availing any consulting or advisory services thereof or any other incidental services to its officers, professional advisors, agents and consultants on a need to know basis.

-----END OF DOCUMENT-----